



# Missouri is a Great Place for Reinsurance

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# Overview

- Introduction, Benefits of Reinsurance
- Missouri's Reinsurance Industry
- Missouri's Reinsurance Oversight
- Reinsurance Regulatory Hot Topics
- Life Reinsurer Perspectives
- P&C Reinsurers Perspectives
- Questions



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# Missouri's Reinsurance Industry

- Includes Large Global Reinsurers
- Both Property & Casualty and Life & Health Reinsurers
- Largest Global Brokers



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# Missouri's Reinsurance Oversight

- Staffing
- Resources
- Expertise
- Competency



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# U.S. & Global Leadership

- NAIC Leadership
- U.S. Leadership
- Global Leadership



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# NAIC's Presence in Missouri

- Home office in Kansas City, Missouri
- Large support staff
- Significant available resources



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# Laurie Pleus, CPA, ARe

- Reinsurance Examiner
- Industry Experience
- Regulatory Experience



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# New Credit for Reinsurance Law

- Adopted during the 2013 legislative session
- Based on Model Law adopted by the NAIC in November 2011
- Modernizes Missouri's reinsurance laws
- Provides for greater competition and reduced cost for reinsurance



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# New Credit for Reinsurance Law

- Missouri one of first states that enacted reduced collateral provisions
- NAIC Qualified Jurisdictions WG
- NAIC Reinsurance Financial Analysis WG



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# New Credit for Reinsurance Law

Certified Reinsurer is eligible for reduced collateral with domestic ceding insurers

- Financial strength rating
- Certified Reinsurer must have a minimum of \$250 million of capital and surplus
- Business Practices
- Reputation for prompt payment of claims, including analysis of US ceding insurers' Sched F reporting of overdue claims



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# New Credit for Reinsurance Law

- Each enacting state has authority to:
  - ▶ Issue a certification based on its own evaluation; or
  - ▶ Defer to another state
- Certified Reinsurer is subject to minimum criteria and must meet information filing requirements (initial and ongoing)



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# New Credit for Reinsurance Law

- Reinsurer must be domiciled and licensed in a Qualified Jurisdiction
- Enacting state has authority to determine qualification or defer to NAIC List
- Germany, Switzerland, UK & Bermuda
- France, Ireland & Japan under review



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# New Credit for Reinsurance Model Law

## *One Year Ago...*

- 13 states had enacted revisions to permit reinsurance collateral reduction and 10 states were considering proposals

## *Today ...*

- 23 states have enacted reduced collateral provisions and more are expected to enact



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# Certification Process

- Ability to approve non-U.S. companies as Certified Reinsurers
- Information on the Department's website at <http://www.insurance.mo.gov>
- Standardized Check Lists
- Passporting to other states (Lead State)



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# Certification Process

## *Notifications*

- Department posts public notice
- Department notifies Reinsurance-FAWG
- Reinsurance-FAWG peer-review process (company is notified when approved)



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# Certification Process

- Department publishes a list of Certified Reinsurers
- A domestic ceding insurer may refer to the list for terms applicable to a Certified Reinsurers
- List provides relevant information (e.g., rating assigned, collateral %, effective date, lines of business)



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# Certification Process

## Rating Tiers / Collateral Matrix

### State-Assigned Rating Collateral Req

- ▶ Secure-1 0%
- ▶ Secure-2 10%
- ▶ Secure-3 20%
- ▶ Secure-4 50%
- ▶ Secure-5 75%
- ▶ Vulnerable-6 100%



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# When is Reduced Collateral Effective

- Reduced collateral/Certified Reinsurer status does not apply unless:
  - ▶ State enacts revised statute and/or regulation
  - ▶ State approves reinsurer's domicile in a Qualified Jurisdiction
  - ▶ State enters into an information sharing agreement with Certified Reinsurer's regulator



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# When is Reduced Collateral Effective

State approves the applicant as a Certified Reinsurer

- Either directly or through pass-porting
- Must still file application to passport but abbreviated.
- Applies to contracts entered into or renewed subsequent to certification effective date



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# Why Allow Reduced Collateral

- Interaction with international regulators
- Leveling of international playing field
- Submits to our authority
- Comfort from detailed information provided
- Previously little information or interaction



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## **2014 Director's Regulatory Summit**

# **Certified Reinsurer and the Missouri Department of Insurance**

### **Matthew Fillo**

Vice President and Assistant General Counsel – Reinsurance and Regulatory

St. Louis, Missouri  
October 15, 2014

## **What RGA Does & Regulatory Interactions**

- **Professional Reinsurer**
  - RGA is a Missouri-domiciled professional reinsurer that is primarily engaged in reinsurance of life and annuity business.
  - Headquarters located in St. Louis and St. Charles counties currently but consolidating soon
- **Significant Global Regulatory Interaction**
  - RGA has significant regulatory interaction on a global basis
  - Offices in 26 countries and business assumed in multiple countries

## **What RGA Does & Regulatory Interactions**

- **Missouri Department of Insurance Interaction**
  - Significant interaction on broad array of topics relating to domestic operations and branch activity abroad
    - Regulatory interaction increases with group supervision
    - World in definitely getting smaller
  - Broad range of formal regulatory filings as well as continued dialogue and information requests
    - Affiliated and non-affiliated transactions and interactions
    - Multiple companies domiciled and otherwise interacting in Missouri
  - Legislative affairs also important
    - Credit for reinsurance amendments (Certified reinsurer), holding company act amendments, etc.

## Why Certified Reinsurer Matters to Missouri

- **Why certified reinsurers matter in Missouri?**
  - Collateral Reduction: A Missouri domestic ceding company may (potentially) take full credit for reinsurance for business ceded to a certified reinsurer even if the certified reinsurer does not post collateral equal to 100% of the statutory reserve credit taken
    - Certified Reinsurers that are rated Vulnerable-6 would need to post the full amount
    - Prospective business only
  - Cost Reduction: Potentially lower cost of capital for financing and reinsurance
    - Advantageous for any insurance, but especially useful for life and other long tail risks
  - Broader options: Potential for specialty reinsurers and financiers to come to market



# Certified Reinsurer and TRIA Legislation Update

2014 Director's Regulatory Summit

SWISS RE  
**150**  
YEARS

## Swiss Re in Missouri

- 2nd Largest Reinsurance Company in the World
- Headquarters in Zurich, Switzerland (1863)
- North American Headquarters in Armonk, NY
- Active ownership involvement in Missouri since 2006 – GE Insurance Solutions acquisition (Westport Insurance Corp., First Specialty Insurance Co.)
- Westport, f/k/a Employers Reinsurance Corporation (ERC), has been a Missouri domiciled stock corporation and insurance company since 1914.
- Through 2<sup>nd</sup> Quarter 2014 - \$867M Net Written Premiums through Westport and FSIC



## Swiss Re as Certified Reinsurer (CR)

- Internal ceding of MO carriers risk to two Swiss based entities
  - Swiss Re Corporate Solutions Ltd
  - Swiss Re Company Ltd
- Initial CR application submitted in 4<sup>th</sup> Quarter 2013
- Renewals submitted 2<sup>nd</sup> Quarter 2014
- New process for MO DOI and Swiss Re
- Passporting - renewals and other state CR filings
- CR Impact

	Unauthorized Assuming Reinsurer	Approved Certified Reinsurer	Difference
	@ 100% Collateral Level	@ 20% Collateral Level	
Required Collateral Amount	150M	30M	120M
Amounts in USD Millions			

## Current TRIA program v. 2014 legislation

	Current Program	Senate Bill (S. 2244)	House Bill (H.R. 4871)
<b>Duration of Program</b>	7 years (ends on 12/31/2014)	7 years (ends on 12/31/2021)	5 years (ends on 12/31/2019)
<b>Acts of Terrorism Covered</b>	Foreign and Domestic	No change	No change
<b>Lines Covered</b>	All commercial P&C lines except crop, PMI, title, financial guaranty, med mal, flood, reinsurance, commercial auto, burglary/theft, surety, prof liability, farm owner's multi peril. L&H not included.	No change	No change
<b>Trigger</b>	USD 100m	No change	USD 500m for conventional terrorism, phased in over 4 years. No change for NBCR.
<b>Deductible</b>	20% of prior year DEP for any certified act of terrorism for covered lines	No change	No change
<b>Co-Participation Ratio</b>	15¢/dollar above deductible	20¢/dollar above deductible	20¢/dollar above deductible for conventional terrorism, phased in over 4 years, No change for NBCR.
<b>Recoupment Levels</b>	USD 27.5b; amounts must be recouped by 2017; 3% annual premium surcharge cap.	USD 37.5b phased in over 5 years; accelerated recoupment dates	Tied to aggregate of all insurers TRIA deductibles; post-2016, flexibility in timing of recoupment
<b>Program Cap</b>	USD 100b in insured losses	No change	No change
<b>Insurer Opt-Out Provisions</b>	None	None	Small insurer opt-out.
<b>Advisory Committees</b>	None	Establishes advisory committee to review private risk-sharing mechanisms, e.g. reinsurance	Establishes advisory committee to review private risk-sharing mechanisms, e.g. reinsurance





# Questions?



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# Wrap Up

- Missouri's Staffing & Resources
- Leader in Reinsurance Regulation
- Significant Global Reinsurers



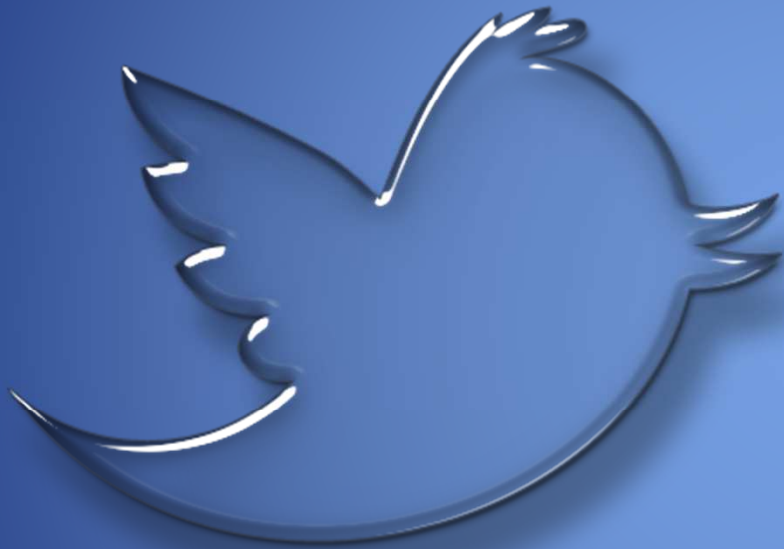
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SLIDE 46

# Get Social



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# Disclaimer

*The information provided in this presentation does not provide legal advice or interpretation and does not bind the Department in its enforcement of Missouri's insurance laws.*